

United Nations

INTEROFFICE MEMORANDUM



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MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION  
OFFICE OF INTERNAL OVERSIGHT SERVICES

TO: Mr. Azouz Ennifar  
A: Officer-in-Charge & Deputy Special Representative  
of the Secretary-General, UNMEE

DATE: 19 January 2007

REFERENCE: AUD-7-5:21 (07- 00017 )

FROM: Dagfinn Knutsen, Acting Director  
DE: Internal Audit Division, OIOS

A handwritten signature in blue ink, appearing to read 'Dagfinn Knutsen'.

SUBJECT: **OIOS Audit No. AP2006/624/08: Property management in UNMEE**  
OBJET:

1. I am pleased to present herewith the final report on the above-mentioned audit, which was conducted during February to April 2006.
2. We note from your response to the draft report that UNMEE has accepted all the recommendations. Based on your response, I am pleased to inform you that we have closed recommendations 2, 3, 4, 7, 8, 10, 15 and 22 in the OIOS recommendations database. In order for us to close out the remaining recommendations (i.e., 1, 5, 6, 9, 11 to 14, and 16 to 21), we request that you provide us with the additional information as discussed in the text of the report. OIOS has revised recommendation 20 and is reiterating recommendation 13, and requests that you reconsider your initial response concerning these recommendations. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical (i.e., recommendations 9, 11 and 21), in its annual report to the General Assembly and semi-annual report to the Secretary-General.
3. IAD is assessing the overall quality of its audit process and kindly requests that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey form.
4. I take this opportunity to thank the management and staff of UNMEE for the assistance and cooperation provided to the auditors in connection with this assignment.

Copy to: Mr. Jean-Marie Guéhenno, Under-Secretary-General for Peacekeeping Operations  
Mr. Philip Cooper, Director, ASD/DPKO  
Mr. Maurice Critchley, Acting Chief Administrative Officer, UNMEE  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
Mr. Jonathan Childerley, Chief, Oversight Support Unit, Department of Management  
Mr. Mika Tapio, Programme Officer, OIOS  
Ms. J. Villarosa, Chief Resident Auditor, UNMEE

Office of Internal Oversight Services  
Internal Audit Division



**Property management in UNMEE**

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**Audit no:** AP2006/624/08  
**Report date:** 19 January 2007  
**Audit team:** Juanita Villarosa, Chief Resident Auditor

## **EXECUTIVE SUMMARY**

### **Property Management in UNMEE (Assignment No. AP2006/624/08)**

OIOS conducted an audit of property management in UNMEE, which covered activities from the time assets, both expendable and non-expendable, are put in stock until they are disposed of. The main objectives of the audit were to ascertain whether the Mission's assets are properly managed and obtain reasonable assurance on the reliability of the information generated by the Galileo inventory management system.

The audit showed that reported Galileo asset accountabilities do not accurately reflect the actual physical custody or condition of the assets. Moreover, shortages or overages were noted between test counts conducted by OIOS and balances of non-expendable and expendable assets reported as in stock in Galileo. In some Self-Accounting Units (SAUs), assets reported as for write-off or for disposal were classified as assets in stock for long periods of up to nearly three years.

OIOS also focused on transport issues previously covered by the Board of Auditors and found that the allocation ratio of vehicles to staff members was still not complied with; repairs of certain vehicles were still not done immediately; certain transport spare parts are still purchased over and above the set 20 per cent limit. OIOS is pleased to note that the Transport Section has undertaken an inventory of its expendable stocks in compliance with DPKO directives to identify surplus spare parts that can be used by other missions or can be properly disposed of.

The difficulty of the Mission to properly manage its assets can be attributed to: the uneven distribution of asset management and warehouse personnel among the various SAUs; the lack of at least the basic warehousing training for the majority of SAU personnel; and the complete reliance of SAUs on the inventory counts conducted by the Property Control and Inventory Unit (PCIU).

OIOS recommends a regular and more comprehensive count by the SAUs of their assets, on top of the PCIU verification counts, and the reconciliation of the count results with Galileo. SAUs should also initiate the physical segregation of assets which can be properly disposed of from assets which can be kept for the Mission's use.

PCIU should expand its verification procedures such as conducting confirmations to track down asset holders who may no longer be in the Mission or assets which no longer belong to the asset holder recorded in Galileo. The Mission should also review its check-out and staff transfer procedures to ensure that assets are properly handed-over or transferred before the asset holders are cleared of their accountabilities. More importantly, the Mission should review its staff distribution so that staff, particularly UNVs are equitably distributed and can be efficiently utilized by the SAUs.

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## **I. INTRODUCTION**

1. OIOS conducted an audit of property management in UNMEE during February to April 2006. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. Based on the Galileo inventory system, the Mission has non-expendable assets worth \$51 million and expendable assets estimated at \$21 million or a total of \$72 million at the time of the audit. Non-expendable assets are distributed among five locations (Asmara, Addis Ababa, Sector Central, Sector West and Sector East), with Asmara holding 84 per cent of non-expendable assets in stock and 49 per cent of assets in use. Expendable assets are stored mainly in Asmara with relatively small stocks kept at other locations.
3. The Self-Accounting Units (SAUs) – Transport, Engineering, Communications and Information Technology, Supply and Movement Control Sections – are considered as the property holders responsible for all aspects of property management. The Property Control and Inventory Unit (PCIU), on the other hand, serves as a verification mechanism to ensure that non-expendable assets are properly controlled and accounted for, and that the Galileo database is reliable. The Local Property Survey Board, the Procurement Section, the Claims Unit and the Assets Disposal Unit become involved in the management of properties when assets are written off and disposed of.
4. The comments made by the Management of UNMEE on the draft report have been included in the report as appropriate and are shown in italics.

## **II. AUDIT OBJECTIVES**

5. Due to the possible change in the Mission's venue of operations and/or mandate, it became imperative to audit the Mission's non-expendable and expendable assets. The main objectives of the audit were to ascertain whether the Mission's assets are properly managed and to obtain reasonable assurance on the reliability of the information generated by the Galileo inventory management system.

## **III. AUDIT SCOPE AND METHODOLOGY**

6. The audit covered both non-expendable and expendable assets in stock and in, as well as assets identified for write-off and disposal. Considering that PCIU conducts inspections of non-expendable assets in the custody of accountable officers mission-wide and that sectors can now only be reached by long-distance road trips, OIOS decided to confirm their recorded accountability by taking a sample of 31 asset holders. For assets in stock, OIOS conducted test counts in warehouses maintained by all the SAUs based in Asmara and Addis Ababa. The audit also assessed whether: the clearance process for assigning accountability is adequate; disposal procedures are adequate for timely disposals and acceptable sales offers; and recommendations made by the Board of Auditors on the management of transport assets were implemented.

## IV. AUDIT FINDINGS AND RECOMMENDATIONS

### A. Staff of Self-Accounting Units

7. OIOS' comparison of the workload of SAUs and the value of expendable and non-expendable stocks on hand versus the number of staff per SAU showed that there is an inequitable distribution of staff (see Table 1 below):

**Table 1.** Analysis of SAU workload, asset holding and staff complement

		Transport	Engineering	Supply	CITS	MovCon
1	No of SAU staff (excluding those relocated to Addis)	6 (3 int'l staff)	8 (1 int'l staff)	11 (no int'l staff)	5 (1 int'l staff)	1 (part-time)
2	Estimated value of expendable and non-expendable items per Galileo at time of analysis	\$6 million	\$6 million	\$2 million	\$6 million	\$32,800
3	Estimated value of items handled per staff [2/1]	\$988,000	\$750,000	\$179,000	\$1.2 million	NA
4	Total number of issues, handovers, transfers, handled by one SAU per Galileo per day	3	4	12	15	NA
5	Average number of transactions handled per staff per day [4/1]	0.5	0.5	1	3	NA

8. As shown in Table 1, the Supply Section, which handles an average of at least 12 transactions daily and assets valued at \$2 million, has the most staff (at 11). CITS, on the other hand, which handles an average of 15 transactions daily and with assets valued at \$6 million, has five staff.

9. The chiefs of the Integrated Support Services and Administrative Services believe that CITS and the Supply Section are understaffed, and the evacuation in December 2005 of these sections' asset managers to Addis Ababa worsened the staffing situation. For example, with the evacuation of the CITS Asset Manager and her subsequent transfer on temporary duty to another mission, both the Communications and IT warehouses were assigned to the CITS Warehouse Manager. However, in view of the number of transactions handled by each SAU, OIOS is of the opinion that there is sufficient room for re-assignment of staff between SAUs, within the existing staff resources.

10. There is a need for a review of the Mission's staffing complement with the view to ensuring that the number of staff, particularly international staff assigned to specific SAUs, is adequate and that the units' activities are properly supervised.

#### **Recommendation 1**

The UNMEE Administration should review the distribution of staff among the Self-Accounting Units to ensure that the

Mission's scarce human resources are used efficiently and effectively (AP2006/624/08/01).

11. *The UNMEE Administration did not accept recommendation 1 but stated that the Mission will review the staff distribution. Staff members are recruited for certain positions according to their qualifications and specialties. The Personnel Section is currently proceeding with filling vacant posts, however, there were delays mainly caused by the Personnel Management and Support Service (PMSS), New York. Recommendation 1 remains open pending receipt of documentation from UNMEE showing that it has been fully implemented.*

#### Inappropriate access privileges to Galileo

12. OIOS' review of access privileges granted to 110 users of Galileo showed the following:

- User IDs of 13 staff members who no longer have a business need for their access rights to Galileo are still active, i.e., staff members who have resigned or completed their appointment with the Mission, staff members on temporary duty in other missions, staff members who have been transferred to other functions that do not need access to Galileo. The existing check-out procedure should trigger the deactivation of user accounts belonging to staff members separating from the Mission;
- Four CITS users who should have read only access privilege to the system were given operator and approver access rights;
- Two CITS data entry clerks were given approver access privilege to the system;
- Three users each from the Engineering and Movement Control SAUs who do not use the system were given operator and approver access privileges;
- One user ID assigned to the Receiving and Inspection Unit could not be traced to any staff member.

#### **Recommendations 2 to 4**

The UNMEE Administration should:

- (i) Revoke the access privileges of staff members who do not have a business need for such access to the Galileo inventory management system (AP2006/624/08/02);
- (ii) Adjust to the appropriate level the excessive access privileges granted to the six Communications and Information Technology Section staff members (AP2006/624/08/03); and

- (iii) Establish a mechanism to regularly review the appropriateness of users' access to the system and revoke excessive or inappropriate access privileges (AP2006/624/08/04).

13. *The UNMEE Administration accepted recommendations 2, 3 and 4 and stated that they have been implemented. All Section Chiefs presented to CITS lists of staff authorized to have access to the Galileo system. Other staff no longer have access to the system. The Mission has adjusted to the appropriate level the excessive access privileges granted by CITS to the six staff members. Also, the Information Technology Unit will be responsible for monitoring and updating access privileges. Based on the Mission's response, recommendations 2, 3 and 4 have been closed.*

#### Training of SAU staff

14. OIOS' survey of SAU staff who have undergone Galileo and warehousing training showed that almost all of the local and international staff have had Galileo training except for the contractual workers at the warehouse and the three UNVs at the Supply SAU. Very few staff, however, attended training on warehouse and asset management:

- The Engineering Asset Manager has a background in warehouse and asset management which enables him to train his staff on specific aspects of warehousing on his own, a very commendable effort on his part to improve the efficiency and effectiveness of his Unit. This effort has paid off in that this Unit has been noted to be better organized and to have fewer shortages or overages and the warehousemen in the section are more aware of their asset holdings;
- The acting Warehouse Manager for the Transport SAU along with one local staff also have special training on certain aspects of transport spare parts management;
- The IT Asset Manager who is now on TDY to another mission had also attended a special course on asset management. The CITS Warehouse Manager who also now acts as the concurrent Asset Manager has been scheduled for training on warehouse management.

#### **Recommendation 5**

The UNMEE Administration should ensure that the Training Unit facilitates training on warehouse and asset management as well as refresher courses on the use of Galileo system (AP2006/624/08/05).

15. *The UNMEE Administration accepted recommendation 5 and stated that the Training Unit is exploring with DPKO possibilities to organize training on warehouse and asset management as well as refresher courses on the use of the Galileo system. Recommendation 5 remains open pending receipt of documentation from UNMEE showing that it has been implemented.*



## B. Assets in use

### Confirmation results versus Galileo inventory database

16. As of the audit date, Galileo reported non-expendable assets with a total value of \$43.4 million in use, broken down as follows:

**Table 2.** Analysis of non-expendable assets in use

Location	Section						Totals	% by location
	Transport	Supply	Engineering	IT	Communication	BMS		
<b>Addis Ababa</b>	\$833,320	\$83,978	\$95,755	\$507,322	\$741,439	\$5,973	\$2,267,788	5%
<b>Asmara</b>	7,464,355	1,578,543	5,124,152	2,639,485	3,931,809	469,575	21,207,918	49%
<b>Sector Central</b>	1,038,988	2,083	3,031,287	292,658	1,491,456	101,798	5,958,271	14%
<b>Sector East</b>	1,136,209	8,101	1,570,938	142,175	541,380	66,439	3,465,242	8%
<b>Sector West</b>	5,153,308	32,113	3,717,844	272,903	1,233,748	98,993	10,508,909	24%
<b>Totals</b>	<b>\$15,626,181</b>	<b>\$1,704,819</b>	<b>\$13,539,976</b>	<b>\$3,854,543</b>	<b>\$7,939,831</b>	<b>\$742,778</b>	<b>\$43,408,128</b>	100%
<b>% by section</b>	36%	4%	31%	9%	18%	2%	100%	

17. Table 2 shows that 49 per cent of asset users are based in Asmara; 36 per cent of the total assets represent transport vehicles and equipment; and 31 per cent engineering assets. These assets are under the accountability of 618 asset holders although Galileo also identified four items worth \$21,937 which do not have any specific asset holder.

18. PCIU conducts physical inspections of the assets in various sectors. Results of their physical inspections for the period from 1 February to 5 April 2006 showed that of the total \$6.7 million assets counted, 98 per cent were found and matched with SAU records, and only one per cent of assets counted had discrepancies such as wrong item for barcode issued or wrong user for Galileo identified item.

19. To validate the verification done by PCIU and ascertain the reliability of recorded Galileo accountabilities, OIOS confirmed the reported accountability of 31 sample asset holders belonging to the military, UNMOs, and civilian staff, including UNVs. Following are the summary results of the confirmation (Annex I shows the details):

(a) Two of the 31 samples selected could not respond to the confirmation because: one of the two, with an accountability of \$325,631, was on medical evacuation at the time of the audit; and the other, with an uncleared accountability of \$331,711, had already checked out of the Mission;

(b) Of the 29 confirmations sent, 22 or 76 per cent responded. Of this total, 17 or 77 per cent showed discrepancies between the confirmed and reported accountabilities. Disputed accountabilities amounted to \$1.138 million, representing assets not confirmed by the asset holders as their accountability or in their custody and \$111,808 worth of assets in their custody but not reflected in Galileo as such;

(c) Of the seven asset holders who did not respond, three indicated that they were still in the process of locating a number of assets listed under their accountability which are being used by their section or unit.

20. Those who responded to the confirmation attributed the discrepancies between their records and Galileo to the following:

(a) Failure to formally hand-over accountabilities to the new logistics officers, in the case of the military and the UNMOs, when the previous asset holder transferred to other sectors;

(b) Failure by the new asset holders to review their accountabilities when new assets were handed over to them by the previous asset holder;

(c) Failure of the SAUs to promptly update Galileo for handover/transfer of assets, as evidenced by the vouchers attached to the confirmation replies which have not been entered by the SAUs;

(d) Deficiencies in the check-out procedures, which allowed staff members who have left the mission to check out without clearing their accountabilities. For the period from August 2005 to March 2006, at least nine staff members checked out without clearing their accountabilities (see Annex III for details). The SAUs concerned updated some of the listed accountabilities based on the information given to PCIU by OIOS;

(e) Asset holders not being able to keep track of numerous accountabilities held coupled with the failure by the Mission to periodically confirm with asset holders their accountabilities. Two staff members, with outstanding accountabilities in Galileo, said that they were not aware of such accountabilities. Further verification showed that the concerned staff members cleared their accountabilities upon checking out, but Galileo was not updated to reflect such clearance;

(f) Claims by asset holders that PCIU, in the course of its physical verification, adds assets to the list of staff members' accountabilities without informing them.

### **Recommendations 6 to 11**

The UNMEE Administration should:

(i) Periodically confirm with asset holders their accountability for the assets issued to them and resolve any discrepancies (AP2006/624/08/06);

(ii) Ensure that the members of military contingents and the United Nations Military Observers follow the guidelines on the proper handover of assets when they are transferred to another sector (AP2006/624/08/07);

(iii) Ensure that the check-out procedures are strictly implemented to prevent staff members from leaving the Mission without clearing their accountability with the concerned Self-Accounting Unit and the Property Control and Inventory Unit (AP2006/624/08/08);

(iv) Update the Galileo inventory management system to reflect the actual accountability of staff members who have already checked out but whose records have not been accurately updated in the system (AP2006/624/08/09);

(v) Remind all Mission personnel of the proper checkout and handover procedures as well as the importance of clearing accountabilities when a staff member leaves the Mission or is transferred to another area within the Mission and the consequences of not clearing outstanding accountabilities (AP2006/624/08/10); and

(vi) Establish a reasonable timeframe within which Self-Accounting Units (SAUs) should update the Galileo inventory management system for any asset movement or reclassification, after which SAUs should be held accountable for failure to update Galileo on time (AP2006/624/08/11).

21. *The UNMEE Administration accepted recommendation 6 and stated that SAUs confirm at least twice every year that the assets are under the correct accountabilities. Once in every three months, PCIU will perform random verifications and inform SAUs of any discrepancies. Recommendation 6 remains open pending receipt of documentation from UNMEE showing that it has been fully implemented.*

22. *The UNMEE Administration accepted recommendation 7 and stated that an Information Circular to address this recommendation was broadcast on 10 November 2006. All contingents and UNMOs are briefed thoroughly when joining the Mission. All Administrative Officers in the Sectors are fully briefed on guidelines for handover of assets. Based on the Mission's response, recommendation 7 has been closed.*

23. *The UNMEE Administration accepted recommendation 8 and stated that the Mission does not issue air tickets for international staff and UNMOs until a completed checkout form is presented to the Travel Unit. With regard to UNVs, attempts have already been made to reduce the number of UNV's checking out with assets assigned to them. Based on the Mission's response, recommendation 8 has been closed.*

24. *The UNMEE Administration accepted recommendation 9 and stated that SAUs have returned to stock all assets of staff members who have checked out, or recorded the accountability of those holding the assets. PCIU held coordination meetings to resolve such*

issues with the SAUs' asset managers. Recommendation 9 remains open pending receipt of documentation from UNMEE showing that it has been fully implemented.

25. *The UNMEE Administration accepted recommendation 10 and stated that an Information Circular was broadcast on 10 November 2006 reminding all Mission personnel of proper checkout procedures. Based on the Mission's response, recommendation 10 has been closed.*

26. *The UNMEE Administration also accepted recommendation 11 and stated that under normal circumstances, the system is updated immediately. Five working days are sufficient unless the Galileo System is down or the Section is totally understaffed. During the meeting held with the SAUs, the Chief of PCIU reminded the asset managers that Galileo records must be updated within five working days. Recommendation 11 remains open pending receipt of documentation from UNMEE showing that it has been fully implemented.*

#### Value of accountabilities held by specific persons

27. Analysis showed that \$36.16 million or 83 per cent of total assets reported as in use are held by only 80 individuals or only 13 per cent of the total number of asset holders in UNMEE. Table 3 shows the number of asset holders and the value range of their accountabilities:

**Table 3. Analysis of staff accountabilities**

Category of Staff	Number of staff	Total Accountabilities	Range of individual accountability
International staff	33	\$16,422,834	\$97,000 to \$2.58 million
Local staff	1	647,392	\$647,392
MACC, ECA	4	764,940	\$105,400 to \$331,700
Military staff/officers	14	10,265,223	\$95,000 to \$2.5 million
Military observers	19	5,486,450	\$96,500 to \$552,000
UN Volunteers	9	2,571,623	\$104,000 to \$870,000
<b>Total</b>	<b>80</b>	<b>\$36,158,462</b>	

28. The Mission explained that some of the holders of these fairly large accountabilities are usually in charge of activities requiring high-value assets and/or of widely dispersed and common operations so that having only one accountable officer would be more practicable. In these cases, the military officers have identified higher ranking officers as the asset holder accountable for the common assets. In the case of civilian personnel and UNVs, however, OIOS noted that some UN volunteers and local staff have been assigned accountability for common assets used by their unit or section. For example, a UNV Transport Dispatch Assistant is accountable for vehicles worth \$869,756; a local staff is accountable for water and sanitation equipment worth \$647,391. Moreover, ten of the 33 international staff members identified in Table 3 have accountabilities for assets costing more than those under the accountability of their supervisors.

29. OIOS also noted that a UNV has been assigned as the asset manager for the Supply SAU. However, because of the nature of their appointment to the Mission, OIOS notes that UNVs cannot be made accountable for the Mission's assets.

## Recommendations 12 and 13

The UNMEE Administration should:

- (i) Seek the guidance of the Department of Peacekeeping Operations on the proper assignment of accountability over common assets used by a group of users and the limits for the amount of asset accountability a local staff member or United Nations Volunteer can hold (AP2006/624/08/12); and
- (ii) Not assign United Nations Volunteers as asset managers or holders of assets for common use by a section or unit they work with (AP2006/624/08/13).

30. *The UNMEE Administration partially accepted recommendation 12 and stated that an Information Circular to implement this recommendation was broadcast on 10 November 2006. UNMEE raised the question concerning assets issued to national staff and UNVs with the Property Management Unit at DPKO. Recommendation 12 remains open pending receipt of documentation from UNMEE showing that it has been fully implemented.*

31. *The UNMEE Administration did not accept recommendation 13, stating that according to DPKO instructions based on the Memorandum of Understanding (MOU) with UNV Headquarters, UNVs may sign for an unlimited amount of assets. OIOS reviewed this MOU and found that it contains no such provision. OIOS therefore reiterates recommendation 13, which remains open pending receipt of documentation from UNMEE showing that it has been fully implemented.*

### C. Assets in stock

#### Results of physical count

32. OIOS conducted test counts in all of the warehouses located in Asmara to determine whether Galileo records are updated on a regular basis and whether stocks are properly maintained and managed by the SAU. The test counts showed that:

- (a) Forty-three to 100 per cent of items OIOS counted did not match Galileo records. Shortages (counts are less than Galileo balances) totaled \$528,997 and overages (counts are more than Galileo balances) totaled \$343,203. Annex IV summarizes the results of OIOS test count versus Galileo records;
- (b) Ten vehicles (FIL57114; LBB-Y-00083; LBB-Y-00105; LBB-Y-00116; MEE 20537; MEE 20852; MEE 23043; MEE 23057; NUC 01061 and MEE 23038) recorded as being in stock at the time of the test count could not be located. One month after the OIOS test count, five of the ten vehicles were still listed as in stock; while four (FIL 57114, LBB-Y-00116, MEE 20852 and NUC 01061) had been issued to specific asset holders; and one (LBB-Y-00083) has been reclassified as an asset for write-off;

(c) Non-expendable transport items (e.g., magnetic card station, vehicle lift, jack, welding equipment, tire changer, testing equipment, hydraulic pressure, steam pressure cleaning equipment, tool kit) already in use were still reflected as in stock in the system. In the course of the audit, some of these items were reclassified to “In Use”. Nevertheless, the practice of allowing users to use assets without going through the issue process and updating the system should be corrected.

33. Following are the causes of the unreconciled differences noted in the test counts conducted by OIOS:

(a) SAUs do not conduct independent, regular physical counts of their stocks. SAUs believe that only PCIU can initiate counts;

(b) Delays in updating Galileo based on documents supporting the physical movement of stocks, i.e., handover, transfer, issuances;

(c) Lack of standard nomenclature being used to describe an asset coupled with several individuals assigned with the responsibility to encode data in Galileo. These deficiencies resulted in multiple entries in Galileo for the same item. For example, the following descriptions pertain to one and the same transport expendable item:

- Part no. 12.00R20 is the same as Par 1200R20
- Part NY5/65 R22.5 is the same as Part 385/65 R22.5
- Tyre 750R18 is the same as 7.50 R18

(d) Inequitable distribution of workload and staff among SAUs (see related finding in Section A of this report).

#### **Recommendations 14 and 15**

The UNMEE Administration should:

(i) Require the Self-Accounting Units to conduct regular physical counts independent of the physical verification conducted by the Property Control and Inventory Unit to validate the physical condition and location of assets reported in the Galileo inventory managements system (AP2006/624/08/14); and

(ii) Review the item descriptions of all assets recorded in Galileo with a view to eliminating item descriptions pertaining to the same asset and adopt standard nomenclature for encoding new item descriptions in the future (AP2006/624/08/15).

34. *The UNMEE Administration accepted recommendation 14 and agreed that SAUs should plan physical counts of their assets twice yearly, apart from the physical verifications conducted*

by PCIU, and correct their records, provided that they have staff to perform this task. At present, most SAUs are understaffed. The Chief of PCIU held a coordination meeting with the SAUs' asset managers and advised them of the need to conduct physical verifications. Recommendation 14 remains open pending receipt of documentation from UNMEE showing that it has been fully implemented.

35. The UNMEE Administration accepted recommendation 15 and stated that it had been implemented. The Mission commented that the item descriptions cited in the audit report occurred mostly due to minor errors in transferring the information. During the meeting held with the SAUs, the Chief of PCIU reminded the asset managers to be more careful in their entries. Based on the Mission's response, recommendation 15 has been closed.

#### Assets for repair and write-off recorded as good or top quality assets in Galileo

36. OIOS' test count also showed the following assets for repair or write-off classified in Galileo as "2-Good", representing assets already used but still in good condition and can still be used, or "9-Top", representing assets of the best quality or brand new:

- Fifteen (or 18 per cent) of 85 air conditioners under repair in the workshop are classified in Galileo as "2-Good", while 70 (or 82 per cent) are classified as "9-Top";
- Four (or 26 per cent) of 15 air conditioners reported as for write-off by the workshop are classified as "2-Good" and 11 (or 74 per cent) as "9-Top";
- Six (or 75 per cent) of eight generators reported by the workshop as for repair are classified in Galileo as "2-Good" and two (or 25 per cent) as "9-Top";
- Seven (or 88 per cent) of eight generators identified for write-off are classified in Galileo as "9-Top" and one (or 22 per cent) as "2-Good";
- Ten vehicles reported as in stock were actually under repair (LBBY-00289; LBBY-00310; LBB 00956; LBB 00098; LBB-Z-00584; LBB-Z-00585; LBB-Z-00591; MEE 30098; MOT 02311; and MOT 02312). Of these, four are classified in Galileo as having "9-Top" and the rest as "2-Good";
- The Transport SAU reported non-expendable items which have already been discarded as being in stock. For example, one broken windscreen thrown in the disposal yard is still reflected as in stock in Galileo.

37. In most warehouses OIOS visited, assets in good working condition are not segregated physically from assets intended for write-off, repair or disposal.

#### **Recommendations 16 and 17**

The UNMEE Administration should:

(i) Ensure that Self-Accounting Units update the Galileo inventory management system to reflect the actual condition of assets under their responsibility (AP2006/624/08/16);

(ii) Physically segregate assets in good working condition from assets for repair, write-off and disposal (AP2006/624/08/17).

38. The UNMEE Administration accepted recommendation 16 and stated that when the SAUs perform the physical verification, they update the Galileo inventory as to the actual condition. During the meeting held with the SAUs Chief PCIU reminded the asset managers that SAUs have to do timely updates of the Galileo inventory management system to reflect the actual condition of assets under their responsibility. The UNMEE Administration also accepted recommendation 17 and stated that the OIC Administration had issued a memorandum requesting SAUs to physically segregate the assets. Recommendations 16 and 17 remain open pending receipt of documentation from UNMEE showing that they have been fully implemented.

#### D. Assets for write-off and disposal

##### Status of items approved for write-off and disposal

39. As shown in Table 4, 407 assets with a total book value of \$1.3 million have remained pending for write-off per Galileo for up to 32 months:

**Table 4.** Analysis of assets pending write-off

	Transport	Supply	Engineering	Communications	IT	BMS	Total
Average length unacted/range	14 ( 1-15 mos)	8 (1-25 mos)	14 (9-32 mos)	4 (2-10 mos)	6 (3-7 mos)	4 (2-8 mos)	
Purchase cost total	\$1,147,000	\$137,657	\$23,250	\$327,145	\$190,275	\$23,243	\$1,848,791
Total Book value	\$805,800	\$101,571	\$11,955	\$205,954	\$110,707	\$15,694	\$1,252,680
No. of items	47	37	9	127	170	17	407

40. The Local Property Survey Board has not met to take up the write-off of the above assets.

41. Furthermore, 705 assets already written off with a total book value of \$0.9 million have not yet been disposed of with some items pending for up to 38 months.

**Table 5.** Analysis of assets pending disposal

	Transport	Supply	Engineering	Communications	IT	BMS	Total
Average length unacted/range	10 (1-31 mos)	10 (7-12 mos)	25 (20-28 mos)	18 (7-11 mos)	11 (10-19 mos)	27 (11-38 mos)	
Total purchase cost	\$575,723	\$65,231	\$57,238	\$67,734	\$623,530	\$5,328	\$1,394,784
Total Book value	\$414,824	\$46,593	\$36,284	\$39,463	\$394,823	\$2,236	\$934,223
No. of items	39	42	3	87	530	4	705



42. The above assets are still reflected as stocks on hand in Galileo, which skews the number of stocks on hand that are still serviceable, making this information unreliable.

43. According to the Assets Disposal Unit Head (ADU), only transport vehicles and computer items were put up for sale, as recommended by the Local Property Survey Board (LPSB). However, the Eritrean Government refused to allow the sale of vehicles. Pending further negotiations with the Government, the items are kept inside the Transport disposal stockyard.

44. Although the Eritrean Government has refused to allow the sale of assets in their country, it has in the past approved advertisements inviting bidders to quote price offers. These advertisements, however, do not fix the reserve price for the items on sale, either individually or by batch.

### **Recommendations 18 to 21**

The UNMEE Administration should:

(i) Convene the Local Property Survey Board to decide on the assets pending write-off (AP2006/624/08/18);

(ii) Together with the Mission's Legal Adviser, negotiate with the Eritrean Government to allow the sale of assets in the country. If the Government still refuses, the Local Property Survey Board should identify alternative methods to dispose the assets, in accordance with established procedures and regulations (AP2006/624/08/19);

(iii) Determine a reserve price, individually or by batch, for the sale of assets as a safeguard against indiscriminate acceptance of offers from potential buyers (AP2006/624/08/20);

(iv) Immediately dispose off the assets still pending actual disposal, following the mode of disposal recommended by the Local Property Survey Board (AP2006/624/08/21).

45. *The UNMEE Administration accepted recommendation 18 and stated that the LPSB is convened on a fairly regular basis and will continue to do so. Meetings will resume after all concerned staff receive training on Galileo Write Off and Disposal Module. Recommendation 18 remains open pending receipt of documentation from UNMEE showing that it has been fully implemented.*

46. *The UNMEE Administration accepted recommendation 19 and stated that the matter has been a long ongoing process with the Eritrean Government. A last attempt will be made in the near future and if it is not successful, the LPSB will meet and identify an alternate method to dispose of the assets in accordance with established procedures and regulations.*

Recommendation 19 remains open pending receipt of documentation from UNMEE showing that it has been fully implemented.

47. *The UNMEE Administration partially accepted recommendation 20 and stated that the UN has to treat bids for the sale of UN property in the same manner as submissions for the purchase of goods, i.e., no substantive information shall be disclosed prior to the opening date and time. Reserve price can be agreed internally and used as the benchmark below which the property will not be sold but should not be disclosed publicly. Recommendation 20 above has been revised based on the Mission's response. This recommendation remains open pending receipt of documentation from UNMEE showing that it has been implemented.*

48. *The UNMEE Administration also accepted recommendation 21 and stated that due to the relocation and shortage of staff, there were delays in the disposal of assets. The Mission will endeavor to clear the backlog. Actual disposal will resume after the concerned staff receive training on Galileo Write Off and Disposal Module. Recommendation 21 remains open pending receipt of documentation from UNMEE showing that it has been implemented.*

#### Location of vehicles for write-off and for disposal

49. OIOS' test counts of vehicles showed that only 36 (or 77 per cent) of the 47 items reported as pending write-off and 34 (or 87 per cent) of the 39 vehicles pending disposal were located. Although there are stockyards assigned for vehicles awaiting formal approval of write-off and disposal, three of the 11 vehicles for write-off that were not located during the test counts were later found in the Transport workshops (UNMEE 934; 281; 339). The Fleet Manager explained that the stockyard for these vehicles is not large enough which is why some of the vehicles have to be placed in the heavy duty vehicle workshops or at the reserved vehicle stockyard.

#### **Recommendation 22**

The UNMEE Administration should account for the 13 missing vehicles pending write-off and disposal (AP2006/624/08/22).

50. *The UNMEE Administration did not accept recommendation 22, stating that all vehicles pending write-off and disposal are parked in Adiguadad, including the 13 allegedly missing vehicles. Based on the Mission's response, OIOS considers that recommendation 22 has been accepted and implemented by UNMEE. Accordingly, this recommendation has been closed.*

#### **E. Management of transport assets**

51. OIOS' review of the implementation status of the Board of Auditors' (BOA) recommendations on the management of transport assets, in its management letter dated 18 October 2005, indicated that the following recommendations have not been implemented:

<b>BOA recommendations*</b>	<b>DPKO response**</b>	<b>OIOS comment</b>
UNMEE should revise its liberty travel billing procedures [Ref.: paragraph 110, recommendation 38].	Implemented	The Transport Section explained that for non-official or private use of vehicles, only the liberty MOP is attached to the CarLog form. Moreover, the liberty mileage bills cannot be forwarded to the Finance Section until the staff members concerned have confirmed the billing.
UNMEE should limit the actual fleet to the authorized level at all times [Ref.: paragraph 113, recommendation 39].	Implemented	Latest verification indicated that the actual vehicle fleet exceeded the authorized fleet by 103 vehicles.
UNMEE should align its car fleet to the applicable ratios [paragraph 117, recommendation 40].	Not accepted	The Mission explained that it cannot strictly adhere to the required staff to vehicle ratio for a number of reasons, including the Eritrean Government's decision to ground the helicopter fleet, which further increased the demand for ground transportation. The BOA noted, however, that the Mission did not provide hard data to demonstrate significant differences from the average peacekeeping mission.
UNMEE should improve its management of spare parts, in order to only order and store the quantity really needed [Ref.: paragraph 123, recommendation 42].	Implemented	Statistics for the fiscal year 2005-2006 indicated that the percentage in value of spare parts compared to the vehicle's value range between 11 and 17 per cent, with one model (Komatsu) reaching 74 per cent, which is still not in compliance with DPKO's ten per cent guideline.
UNMEE should indicate that it has now taken corrective measures, to implement procedures toward listing, safeguarding and retrieving spare parts available on vehicles written off [Ref.: paragraph 125, recommendation 43].	Implemented	As of the audit date, OIOS has not seen evidence that the recommendation has been implemented.
UNMEE should update its monitoring of vehicles under repair and adapt the fleet to the operational requirements [Ref.: paragraph 134, recommendation 46].	Implemented	Latest verification indicated that 14 vehicles have been under repair for a period of three weeks to one year.
DPKO should provide detailed explanations on the purchase and use of	Implemented	The Mission explained that the vehicle is now included in its

a gold Toyota Corolla in Addis Ababa at its request [Ref.: paragraph 138, recommendation 48].		inventory but, as of June 2006, the car has yet to be insured before it can be used.
UNMEE should not incur any expenditure outside its mandate and budget [Ref.: paragraph 140, recommendation 49].	Not accepted	The Mission explained that the vehicle was provided to the African Union based on instructions from the then FALD of DPKO. This explanation does not address the risk.
DPKO should refrain from loaning vehicles to other Departments on a permanent basis and without memorandum of understanding providing for reimbursement [Ref.: paragraph 141, recommendation 50].	Not accepted	The Mission explained that the vehicle was provided to the African Union based on instructions from the then FALD of DPKO. This explanation does not address the risk.

Sources:

\* 18 October 2005 BOA management letter

\*\* 21 November 2005 DPKO response to the management letter

52. The UNMEE Administration should ensure that the BOA recommendations are fully implemented and that the risks associated with the recommendations not accepted by the Mission are adequately addressed by reconsidering the implementation of such recommendations or implementing alternative procedures to address the risks.

## V. ACKNOWLEDGEMENT

53. We wish to express our appreciation to the Management and staff of UNMEE for the assistance and cooperation extended to the auditors during this assignment.

Dagfinn Knutsen, Acting Director  
Internal Audit Division, OIOS

## ANNEX I

## Summary of Confirmation Results

Conf. Ref. No.	Name/ID #	Amount of reported accountabilities	Amount confirmed	Discrepancy
Replies that agreed with OIOS confirmation balances (based on Galileo)				
3	Ncube Clift, I 1213	\$1,781,927.43	\$1,781,927.43	\$--
7	Bou Ra, IV 1398	3,986.61	3,986.61	--
11	Robert Jusu, IV 1489	869,756.15	869,756.15	--
21	Valbrun Daniel, IV 1665	201,173.61	201,173.61	--
19	Yemane Werede, LNS 594	647,391.88	647,391.88	--
Replies that <b>did not</b> agree with OIOS confirmation balances (based on Galileo)				
1	Abba Mnyani, MO 3314	76,270.52	78,052.02	1,781.50
2	Mary Clare Murphy, I 1262	52,009.33	87,955.88	35,946.55
4	Olapido Oni, I 1740	1,049,924.85	1,054,143.97	4,219.12
5	Azmi Imad, I 1531 *	1,056,150.64	1,093,750.23	37,599.59
6	CPA Nyongo, MIL 25438 (no longer Accountable officer of the Sector but asset still under his name)	963,115.98	972,087.94	8,971.96
8	Ivan Boshnakov, SOMIL 20042	2,328.75	2,600.75	272.00
10	Gurung Lai, MO 3366	528,964.37	876,263.72	347,299.35
13	Rajeev Kapoor, MIL 28592	2,509,965.07	2,516,650.80	6,685.73
14	Ligbi, Bsba Midjida, IV 1668	69,352.60	70,114.6	762.00
15	Joseph Mwamadi, I 1710	2,461,246.10	2,536,232.10	74,986.00
16	Pasbola Ashish, MIL 28473	1,217,929.89	1,241,725.39	23,795.50
20	Wachira George, MIL 25171	386,623.19	423,990.48	37,367.29
22	Uliah Tariq, MIL 32462	717,558.17	1,118,053.87	400,495.70
24	Tandoh Ebenezer, MO 3296	182,912.62	183,137.62	225.00
25	Sherry Allan, I 1507	1,902,232.34	1,947,364.46	45,132.12
26	Yabaragiye Francois, I 1021	664,948.14	666,223.14	1,275.00
27	Tanios Shaya, IV 1643	197,781.18	198,862.18	1,081.00
	<b>Sub-total</b>	<b>\$17,543,549.42</b>	<b>\$18,571,444.83</b>	<b>\$1,027,895.41</b>
Did not respond				
9	Severino Fortes, I 1739	592,628.76		
12	Kulilishika Stephen, I 1385	704,830.48		
17	Lewin Richards, I 1549	456,121.94		
18	Sam Augustine, IV 1413	299,352.48		
23	Ye Tun, I 1312	358,507.21		
28	Akhtar Saleem, I 1212	1,966,829.06		
29	Malik Ali Abid, IV 1679	276,565.80		
	<b>TOTAL</b>	<b>\$22,198,385.15</b>		

**SUMMARY OF CONFIRMATION RESULTS:**

	Summary of confirmation replies			
	Confirmed	22	76%	
	Did not confirm	7	24%	
	TOTAL	29	100%	
	Summary of replies			
	Did not agree with balances confirmed	17	77%	
	Agreed with balances confirmed	5	23%	
	TOTAL REPLIES	22	100%	

**List of Staff Who Have Outstanding Accountabilities with other Duty Stations**

<b>Name of Staff</b>	<b>Amount</b>
Caparros, Jacinto	\$2,029.12
Haynes Sageder, E	14,411
Isaac Adnan	4,488
Kulilishika Stephen	2,029.12
Tun Ye	3,127
Schaffer, Ferdinand	322,550
Al-Nagaar Riyadh	4,615
Asew Bryan	7,222
Barashigwa Francois	10,560
Richard Lewis	31,426

## ANNEX III

**List of staff members who have left the Mission but were not properly cleared of their accountabilities  
March 2006**

<b>Staff</b>	<b>Staff Category</b>	<b>Accountability</b>	<b>Total Value</b>	<b>Status of accountability</b>
1. Mary Grace Slade	UNV	Digital video, air conditioner, accommodation bldg.	\$9,050.98	\$4,835 still outstanding
2. Patrick Amihere	UNV	Vehicle (Toyota)	14,990.48	cleared
3. Toni Whakatope	UNV	Video cassettes, DVDs, microwave, projectors, cameras, AM/FM shortwave radios, refrigerator, sea containers	19,201.71	cleared
4. Egbeleye Kayode	Int'l	Television set	1,135	cleared
5. Lindita Hoxha	Int'l, on TDY to UNMIS	Digital sender		Still outstanding, since she is only on TDY, but this accountability is in Asmara when her duty station is now Addis Ababa
6. Rosalinda Pigon-Rebello	Int'l, on TDY to HQ but now will not be returning	Printer, desktop, monitor	1,981	cleared
7. Adrian Balalau	MILOB	Refrigerator, Motorola transceiver	398	Cleared only of the refrigerator, transceiver was lost
8. Sergey Ivanov	Int.	Monitor, transceiver, desktop	1,490	
9. Markus Weiss	MACC	Safe, refrigerator, television, human model skeleton, mine detector, bomb disposal equipmt, field kitchen, cameras, air conditioners accommodation equipmt., generators, mine detector, computers, radios, transceivers, printer lasers, GPS, binoculars, sea containers	326,170.09	Not yet cleared



ANNEX IV

Reconciliation of OIOS test counts with Galileo balances

	Transport	Supply	Engineering	Com	IT	MovCon TOTAL
<b>Non expendables</b>						
Total items counted	9	17	3	18	7	1
Items counted that did not agree w/ Galileo figures	8	14	2	13	3	1
<b>%age of unreconciled items</b>	<b>89%</b>	<b>82%</b>	<b>67%</b>	<b>72%</b>	<b>43%</b>	<b>100%</b>
<b>Expendables</b>						
Total items counted	42	8	13	20	20	
Items counted that did not agree w/Galileo figures	25	8	13	15	16	
<b>%age of unreconciled items</b>	<b>60%</b>	<b>100%</b>	<b>100%</b>	<b>75%</b>	<b>80%</b>	<b>--</b>
<b>Total value of overages</b>						
(value of items counted but not listed in Galileo)						
Non-expendables (excluding vehicles)	\$6,600	\$6,800	\$4,800	\$8,503	\$7,200	
Expendables	3,300	220	6,400	149,680	149,700	
<b>Total value of overages</b>	<b>\$9,900</b>	<b>\$7,020</b>	<b>\$11,200</b>	<b>\$158,183</b>	<b>\$156,900</b>	<b>\$343,203</b>
<b>Total value of shortages</b>						
(value of items listed in Galileo but not counted)						
Non-expendables (excluding vehicles)	\$47,000	\$140,400	\$1,400	\$22,953	\$38,200	\$42,000
Expendables	25,200	15,200	61,200	32,445	103,000	
<b>Total value of shortages</b>	<b>\$72,200</b>	<b>\$155,600</b>	<b>\$62,600</b>	<b>\$55,397</b>	<b>\$141,200</b>	<b>\$42,000</b>
<b>Vehicles in stock</b>						
Total items counted	17					
Total vehicles in stock in Asmara, per Galileo	27					
<b>%age of shortage</b>	<b>37%</b>					

Vehicles pending write-off  
 Total items counted 36  
 Total vehicles for write-off in Asmara, per Galileo 47  
 %age of shortage 23%

Vehicles for disposal  
 Total items counted 34  
 Total vehicles for disposal in Asmara, per Galileo 39  
 %age of difference 13%

Movcon shortage:  
 counted 17 sea containers but Galileo had 52 items listed or a  
 shortage of 35  
 1,202  
 35 x the average sea container cost per unit of \$ (13,223.51//11)

UNITED NATIONS



OIOS Client Satisfaction Survey

Audit of: Property management in UNMEE

(AP2006/624/08)

	1	2	3	4	5
<b>By checking the appropriate box, please rate:</b>	Very Poor	Poor	Satisfactory	Good	Excellent
1. The extent to which the audit addressed your concerns as a manager.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The audit staff's understanding of your operations and objectives.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Professionalism of the audit staff (demeanour, communication and responsiveness).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The quality of the Audit Report in terms of:					
• Accuracy and validity of findings and conclusions;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Clarity and conciseness;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Balance and objectivity;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Timeliness.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The extent to which the audit recommendations were appropriate and helpful.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The extent to which the auditors considered your comments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Your overall satisfaction with the conduct of the audit and its results.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please add any further comments you may have on the audit process to let us know what we are doing well and what can be improved.

Name: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

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Thank you for taking the time to fill out this survey. Please send the completed survey as soon as possible to:  
 Director, Internal Audit Division-1, OIOS  
 By mail: Room DC2-518, 2 UN Plaza, New York, NY 10017 USA  
 By fax: (212) 963-3388  
 By E-mail: iad1support@un.org